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IN THE

Supreme Court of the United States

OCTOBER TERM, 1971

No. 71-315

DEEPSOUTH PACKING CO., INC.,

Petitioner,

v.

THE LAITRAM CORPORATION,

Respondent.

Appeal No. 29,776 (Question 1)

Appeal No. 28,286 (Questions 2 and 3)

BRIEF IN RESPONSE TO PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FIFTH CIRCUIT

GUY W. SHOUP
230 Park Avenue
New York 10017
Attorney for Respondent

Of Counsel:

PHILIP DEV. CLAVERIE
Hibernia Bank Building
New Orleans 70112

October 25, 1971

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BRIEF IN RESPONSE TO PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FIFTH CIRCUIT

INTRODUCTION:

THIS PETITION IS SEVERABLE INTO TWO DISCRETE PORTIONS

This Petition should be denied.

The Petition is severable into two discrete portions. One portion relates to Appeal No. 29,776 (Question 1) and the other portion to Appeal No. 28,286 (Questions 2 and 3).

The two appeals were based on separate facts and resulted in separate opinions of the Court of Appeals.[1]

Question 1 (relating to patent coverage of machinery exported from the United States) is not closely, or even remotely, related to Questions 2 and 3 (questions relating to ordinary validity and enforcement matters).

Question 1 (as restated) involves a question of law, while Questions 2 and 3 are questions not present here, imagined from this routine patent case and clothed by petitioner Deepsouth as questions of law.[2]

Therefore, this brief is structured to respond first to Question 1 of the Petition (*infra*, pp. 3-7), and second, collectively, to Questions 2 and 3 of the Petition (*infra*, pp. 8-15).

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[1] Separate records on appeal and separate briefs were filed with respect to each appeal; the appeals were consolidated solely for oral argument and argued separately on the same day. The opinion in Appeal No. 29,776 is now reported at 443 F.2d 936; the opinion in Appeal No. 28,286 is now reported at 443 F.2d 928.

[2] It is significant that the Court of Appeals unanimously reversed the District Court only on a question of law (in Appeal No. 29,776) while unanimously affirming the careful findings of the District Court on all issues relating to Questions 2 and 3 (in Appeal No. 28,286).

Appeal No. 29,776

RESTATEMENT OF QUESTION PRESENTED FOR REVIEW

(Question 1)

Do the acts of making, or arranging for the making of, and selling, within the United States, all of the parts of a patented machine constitute infringement under 35 U.S.C. § 271(a)?

COUNTER-STATEMENT OF THE CASE

The District Court held respondent Laitram's United States Patent 2,694,218 ("'218 patent") to be valid and infringed by the trough unit of Deepsouth's shrimp deveining machinery and Laitram's United States Patent 2,825,927 ("'927 patent") to be valid and infringed by the vein-removing belt unit of Deepsouth's shrimp deveining machinery.[1]

The parties to the action were two New Orleans family enterprises, respondent Laitram with a history of innovation and petitioner Deepsouth with a history of copying (see *infra*, p. 8).

An injunction issued which prohibited Deepsouth and its affiliate Skrmetta Machinery Corporation ("Skrmetta Machinery") from "making, using or selling [infringing apparatus]."

Skrmetta Machinery then wrote a prospective foreign customer as follows: "We are handicapped by a decision

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[1] The exhaustive opinion of the District Court is reported at 301 F.Supp. 1037.

against us in the United States. This was a very technical decision and we can *manufacture* the *entire machine* without any complication *in* the United States, with the exception that there are two parts that must not be assembled *in* the United States, but assembled after the machine arrives in Brazil. This assembly will take *less than one hour*" (443 F.2d 938).[4]

After legalization of a Skrmetta Machinery invoice by the Brazilian consulate in New Orleans, an import license was issued to Skrmetta Machinery's foreign customer for a *"complete automatic machine"* for deveining shrimp (App. C-1, 2).

Skrmetta Machinery manufactured or arranged for the manufacture of *all* of the parts for the "complete automatic machine" (Pet. 6). This "complete automatic machine" included the trough unit and vein removing belt unit adjudicated as infringements of the '218 and '927 patents. It then cabled its Brazilian customer: "MACHINE COMPLETE TOMORROW" (App. C-3).

Subsequently, the "complete automatic machine" was shipped from New Orleans by Skrmetta Machinery and the purchase price paid to Skrmetta Machinery in the United States in United States dollars.

There was no evidence of testing or modification, as Deepsouth alleges in its Petition (Pet. 2, 7, 9, 10, 11).

In response to a motion by petitioner Deepsouth to modify the injunction, and a suggestion by respondent Laitram that the above acts were violative of the injunction, the District Court held that the above acts were not prohibited by the injunction.

The Court of Appeals reversed the decision of the District Court.

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[4] Unless indicated otherwise, all emphasis is supplied.

REASONS AND SUPPORTING ARGUMENTS RELIED UPON FOR DENIAL OF THE PETITION AS TO QUESTION 1

1. *The Decision Below Was Correct*

The Court of Appeals saw through the bare legalisms of *Radio Corporation of America* v. *Andrea*, 79 F.2d 626, 628-629 (2d Cir. 1935)[5] and the two subsequent opinions of other Courts of Appeal[6]—which treated the Constitutionally-mandated economic reach of a United States patent with complete artificiality—and identified the reality of Deepsouth's transaction, which allowed a United States infringer to make an infringing machine in the United States, deprived a United States patentee of a market entry, and caused the United States patentee damage in the United States.

The Court of Appeals correctly recognized:

(1) Commercial expectations: The expectations of Skrmetta Machinery were that it would profit by the exact duplication of its adjudicated infringements. The foreign customer turned over $14,700 to Skrmetta Machinery in the United States in the expectation it would receive a *res* of substantial commercial value, not design parts for a prototype. The Court of Appeals recognized that the patent laws should be aligned with these reasonable commercial expectations.

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[5] The legal weight of *Radio Corporation of America* v. *Andrea* was seriously undermined by a second opinion in that case by the same court. *Radio Corporation of America* v. *Andrea*, 90 F.2d 612 (2d Cir. 1937). Judge Swan, who wrote the first opinion, dissented in the second, saying: "I think we *overrule* our prior opinion" (90 F.2d at 615).

[6] *Cold Metal Process Co.* v. *United Engineering & Foundry Co.*, 235 F.2d 224, 229-230 (3rd Cir. 1956); *Hewitt-Robins, Inc.* v. *Link-Belt Company*, 371 F.2d 225, 229-231 (7th Cir. 1966).

(2) Commercial results: The result of the acts described was the deprivation of a market entry by the United States patentee, who is given the right to exclude others from making, and selling, his patented invention in the United States. All acts of Skrmetta Machinery were carried out in the United States; all consideration was received by Skrmetta Machinery in the United States.

Finally, is a United States exporter going to knowingly arrange for the manufacture of and then sell all the parts of a machine, identical to machines previously manufactured and sold by him, with the thought that the machine might not work?

2. *There Is No Showing That the Decision Below Is of Substantial or Paramount Importance*

Petitioner has made no showing of any substantial economic or legal impact of the opinion below, other than on the parties involved. Petitioner has made no showing of any "confusion" (Pet. 11) or "far-reaching and substantial economic effects" (Pet. 11).

The arguments of petitioner on Question 1 are thus reduced to the existence of a conflict with three other cases. Any impact of that conflict is sharply focused when the quantity of case law on the question presented is examined. There is a dearth of cases on the question. Respondent has been able to locate no reported cases on the question other than the three Court of Appeals decisions with which the opinion below conflicts. Thus, there have been only four reported cases presenting this issue since actions for patent infringement were first authorized in 1790.[7]

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[7] More than 13,000 patent actions were filed between 1954 and 1969. *Annuals Reports of Proceedings of the Judicial Conference of the United States—Annual Reports of the Director of the Administrative Office of the U. S. Courts* (1954-1969).

Further, *no* petition for a writ of certiorari was filed in any one of the only three prior Court of Appeals opinions. Impact from those prior decisions on patent-owning exporters must not have been great.

Thus, even though the consideration of conflict (Rule 19(1)(b), *Rules of the Supreme Court*) is present as to Question 1, as properly stated, it is clear that there are no elevating special or important reasons for granting review on Question 1.[8]

CONCLUSION AS TO APPEAL NO. 29,776 (Question 1)

This Court should deny the portion of the petition directed to Appeal No. 29,776 of the Court of Appeals ("Question 1"). If the Court does grant the petition as to Question 1, it is submitted that the judgment below in this case is so obviously correct and the conflicting decisions so clearly wrong[9] that the Court should summarily affirm the judgment below. *United States* v. *Lane Motor Co.*, 344 U.S. 630 (1953).

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[8] Even if the petition be granted as to Question 1, as restated by respondent, it should be a limited grant, and review denied as to the other questions presented. *International Brotherhood of Boilermakers, Iron Shipbuilders, Blacksmiths, Forgers & Helpers, AFL-CIO* v. *Hardeman*, 398 U.S. 926, 927 (1970); *Whiteley* v. *Warden, Wyoming Penitentiary*, 397 U.S. 1062 (1970).

[9] The District Court, which followed *Andrea* and its two successors, implicitly recognized the absence of logic in those three cases: "It may be urged that the first *Andrea* result is not logical—or that it is at best law logic, which John Quincy Adams told John Marshall was 'an artificial system of reasoning exclusively used in courts of justice and used for nothing anywhere else'." *Laitram Corporation* v. *Deepsouth Packing Co., Inc.*, 310 F.Supp. 926, 929 (E.D. La. 1970).

Appeal No. 28,286

COUNTER-STATEMENT OF THE CASE

This is a routine action for patent infringement against an infringer for whom infringement has become a routine.[10]

Respondent Laitram[11] is a family enterprise whose own concepts and the resulting embodiments of those concepts[12] have revolutionized the preparation of shrimp for canning and have had substantial impact on the preparation of shrimp for packaging in other forms.[13] Deepsouth, another family enterprise, has contributed little but infringements

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[10] In addition to the two infringing units of shrimp deveining machinery which are the subject of this action, Deepsouth manufactured and sold the shrimp peeling machines which were held to be infringements of Laitram's predecessor's shrimp peeling machine patents, which were held to be "primary" and "pioneer" inventions. *Peelers Company* v. *Kaakinen*, 126 U.S.P.Q. 42, 45 (W.D.Wash. 1960), aff'd *sub nom. Kaakinen* v. *Peelers Co.*, 301 F.2d 170, 173 (9th Cir. 1962) *rehrg. den.* 301 F.2d 173 (9th Cir. 1962) *cert. den.* 371 U.S. 823 (1962).

[11] Formerly known as The Peelers Company ("Peelers").

[12] Its "complex network" (Pet. 8) of United States shrimp apparatus and process patents totals 25. Only five of Laitram's patents have been adjudicated; each of the five has been held to be valid and the trial court's holding of validity affirmed by a Court of Appeals; further, with respect to *every single one of the* five, *the infringing machines were manufactured and marketed by Deepsouth.*

[13] The alleged "extensive history of misuse and abuse" of Laitram (Pet. 9) relates to adjudications in different legal contexts of one business practice—a lease rate for shrimp peeling machines. Both courts faced with the issue found that there were no reported decisions that could be cited as authority for the proposition that such lease rate was patent misuse or a violation of the antitrust laws. *Laitram* v. *King Crab*, 244 F.Supp. 9, 19 (D.Alaska 1965); *Peelers* v. *Wendt*, 260 F.Supp. 193, 198 (W.D.Wash. 1966).

The holding that the lease rate was patent misuse has been criticized. See, e.g., *Carter-Wallace, Inc.* v. *United States*, 169 U.S.P.Q. 667, 673 (Ct. Cl. 1970); Fisher, The Misuse Doctrine and Post Expiration-Discriminatory-And Exorbitant Patent Royalties, 43 Ind. L.J. 106, 116-126 (1967); Note, Regulation of Patent License Royalty Rates Under the Antitrust Laws, 65 Mich.L.Rev. 1631, 1633-1642 (1967).

(*supra*, f.n. 10) and allegations of anti-competitive behavior on the part of Laitram.[14]

After this action was tried on the merits, Laitram's '218 and '927 shrimp deveining machinery patents were held to be infringed by units of Deepsouth deveining machinery.

The Court of Appeals characterized the District Court as "conscientious", the District Court's opinion and findings as "elaborate" and as "dealing *in depth*" with each of the issues raised (443 F.2d at 930-931, Pet. 6a-7a) and unanimously affirmed its judgment.

As in most conventional patent actions, there was expert and industry witness testimony offered on behalf of both parties, but in this action there were also:

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[14] The District Court denied a motion by Deepsouth before trial in this action to amend its counterclaim to add a cause of action for violation of the anti-trust laws. No appeal was taken. The opinion is reported at 279 F.Supp. 883.

It is significant that issues of anti-competitive behavior by Laitram and its predecessors against petitioner Deepsouth were raised in *Laitram* v. *King Crab*, *supra* fn. 13, and resolved in favor of Laitram. 244 F.Supp. at 15-16. Issues of anti-competitive behavior by Laitram and its predecessors against Deepsouth were also raised in the Federal Trade Commission proceeding which is the subject of *Lapeyre* v. *F.T.C.*, 366 F.2d 117 (5th Cir. 1966) (Pet. 9). In that proceeding, the president of Deepsouth testified extensively about allegedly anti-competitive behavior of Laitram's predecessors towards Deepsouth. Yet the Federal Trade Commission resolved all those issues in Laitram's favor and *dismissed its complaint* as to those matters.

Deepsouth's Petition mentions U.S. Patent 2,778,055 ("'055 Patent") (Pet. 4). In an interlocutory opinion in this action, the District Court said: "Whether the ['055] patent was valid or invalid, Deepsouth has been unable to show any reason why the court's determination of the asserted invalidity of the patent before its dedication would be of any legal significance", 279 F.Supp. at 891.

The '055 patent was never even asserted by Laitram against anyone, and was held to be a patent of mere "structural detail" and *not* responsible for *any* portion of the success of [Laitram's] peeling machines. *Peelers Co.* v. *Kaakinen*, *supra*, fn. 10, 126 U.S.P.Q. at 45, 301 F.2d at 173 ("remainder of appellants' 27 specifications of error").

(1) demonstrations to the District Court of devices constructed under the direction of Deepsouth's trial counsel as replicas of prior art patents alleged by Deepsouth to render the Laitram patents old, or to be *"known* structures", as Question 3 would have it;

(2) on-site demonstrations to the District Court of the Laitram and Deepsouth machinery in the actual working environment of a shrimp processing plant; and

(3) explanations of those demonstrations to the District Court by the presidents of Laitram and Deepsouth as the demonstrations took place.

On this foundation of thorough adjudication, and with the issues raised by Deepsouth in the Court of Appeals characterized as being "deeply steeped in fact findings" (443 F.2d at 930, Pet. 6a) petitioner Deepsouth attempts to form questions that are either not presented by the record or were completely considered below.

REASONS FOR SUPPORTING ARGUMENTS RELIED ON FOR DENIAL OF THE PETITION AS TO QUESTIONS 2 AND 3

1. *The Controlling Reason Why The Petition Should Be Denied As To Both Questions 2 And 3: This Is An Attempt At A Second Appeal*

In presenting Questions 2 and 3 in its Petition, Deepsouth is apparently grasping for one "issue" to present as to each patent in suit, although, due to its penuriousness in citing to findings of fact, conclusions of law or evidence of record, even this is difficult to discern.

The "issue" as to Question 2 apparently relates to the machine held to infringe the '218 *"pioneer"* (301 F.Supp. at 1053) patent.

The "issue" as to Question 3 apparently relates to the 927 patent.

As to *both* questions, basic factual assumptions in the questions are flatly incorrect and unsupported by any findings. Every ultimate fact assumed in both questions was resolved against Deepsouth.

Those portions of the legal opinion and the findings of fact of the District Court that relate to Questions 2 and 3 are set forth as Appendices A and B to this brief.

What petitioner Deepsouth is really saying to this Court is that the trial court was wrong as to the facts it found and the appellate court was wrong in unanimously affirming the trial court's findings. A petition for a writ of certiorari should not be grounded on what is a request for trial *de novo*. That is the controlling reason for denial as to Questions 2 and 3.

2. *The Specific Reasons Why The Petition Should Be Denied As to Question 2*[15]

This question apparently relates to the '218 *"pioneer"* (*supra*, p. 10) patent, which expires November 16, 1971, three weeks from now.[16] It completely ignores the realities of estoppel doctrine.

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[15] Petitioner's invocation of *Walker Process* v. *Food Machinery*, 382 U.S. 175 (1965), is misplaced. *Walker Process* involved a genuine issue of law. The issue raised in *Walker Process* was a legal issue; the allegations of the counterclaim in question were taken as true. 382 U.S. at 176. This question presents fact issues resolved *against* petitioner Deepsouth.

[16] Petitioner Deepsouth's absence from competition with Laitram was absence from shrimp *peeling* machine competition ("forced such competitor out of competition", Question 2, Pet. 3) and due to the *adjudication* of its peeling machines as infringements (*supra*, fn. 10), not by the emotive assumptions in the preamble of Question 2.

[16] Laitram's basic original peeling machine patents have all expired. Instead of now building the peeling machines of its own

To constitute estoppel, prejudice must be found. As the District Court said: "Delay that does not result in a prejudicial change of position is not laches, and conduct that does not lead to detrimental reliance does not estop. (citing cases)" (App. A1).

First, it is significant that Deepsouth *admits* (Pet. 8) that it relied on the opinion of its legal counsel in commencing its manufacture of the machine held to infringe the '218 patent. It also relied on the urgings of its large prospective customers (App. A3, Finding 5).

Second, not even *one* element of estoppel was found by the District Court:

(1) Laitram asserted its patent rights within a reasonable time (App. A5, Finding 14).

(2) Laitram did not acquiesce in Deepsouth's activities (App. A5, Finding 14).

(3) Deepsouth could not have reasonably relied on Laitram's failure to inspect (App. A5-A6, Finding 15).[17]

(4) Deepsouth suffered no damage and was not prejudiced (App. A6, Finding 16).

This absence of even one element was unanimously affirmed by the Court of Appeals.

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design which it touted in widespread advertising, before their adjudication as infringements, Deepsouth is building *exact copies* of the Laitram peeling machines. Of course Deepsouth has the right to do this, but the act has some behavioral significance. There is no record support for the proposition that "petitioner has been economically destroyed" (Pet. 14) or the "90%" figure (Pet. 3). The "extensive litigation" (Pet. 3) has involved just *three* types of machines of petitioner Deepsouth, *including* the deveining machinery which is the subject of this action.

[17] Even if Laitram *did* inspect and *did* say the machine infringed, would Deepsouth have changed its design? After Deepsouth received notice, by virtue of commencement of this action, it made no move to change its design and thus continued to infringe. It has made no move to change its design to this day.

Even if a question such as Question 2 were presented by appropriate findings, the consequences of its resolution against a patentee would be incredible. In effect, Petitioner suggests that a patentee:

(1) be placed under a duty to charge infringement;

(2) provide its competitors with legal advice; and

(3) innovate for its competitors.

The result of all this would be to render a patent unenforceable and, thus, worthless.

3. *The Specific Reasons Why The Petition Should Be Denied As To Question 3*

Question 3 apparently relates to the '927 patent.

Question 3 is a hypothetical question, not presented by this case, though it might be presented by another case at some future time. There is no question of statutory construction.

Question 3 assumes the existence of a *"known"* structure, referred to as a "known" structure *three* times in petitioner's phrasing of Question 3.[18] There is no "known" structure.

Both lower courts found that a *new* structure did exist, or, in other words, that the structure was *not* known.[19]

The portions of the legal opinion and the findings of fact of the District Court that found the structure of the '927

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[18] "Known structure", "Known structure", "such [known] structure" (Pet. 3). "The only things "known" were each of the elements of the combination, as they are in any combination patent.

[19] Petitioner has contorted the Court of Appeal's use of the word "method" (Pet. 15, fn. 6) as support for its hypothetical Question 3. The word "method" is clearly used by the Court of Appeals to indicate the co-action of the elements of the *new* combination amongst themselves.

patent to be new (and *not* "known", as petitioner would have it) is reprinted *infra*, Appendix B-1 through B-12.

In addition to an extensive legal and factual discussion of the newness of the structure of the '927 patent (*infra*, App. B-1 to B-5 and B-10 to B-12) and extensive background findings of fact relating to the patent (*infra*, App. B-5 to B-10), the District Court found and concluded that *no* prior art rendered the structure of the '927 patent old (or "known") (Findings VII: 1 through 5, *infra*, B-10-11).

All of these findings were unanimously affirmed by the Court of Appeals, which recognized the issue of newness:

> Anticipation by prior art structures is largely a question of fact in any case and this is *uniquely so* in the case at bar. The district court's findings on this fact of the case were made without error in legal principle and are to be tested by the plainly erroneous concept of Fed. R. Civ. P. 52(a) (citing cases). (443 F.2d at 932, Pet. 11a).

then met it squarely:

> On appeal the number of prior art disclosures [as to the '927 patent] has been reduced to four. After detailed examination of these devices we fail to detect any error in the trial court's conclusion that no prior patent disclosed the subject matter of the uncomplicated invention taught by '927. (443 F.2d at 933, Pet. 11a).

and finally concluded that:

> The trial court's findings that the '927 patent discloses a *new structure*, a new mode of operation and new, beneficial and uesful results in shrimp deveining, together with his finding that the combination of elements in the '927 patent are so arranged and so cooperate as to function in a manner different from the prior art known in this field and to accomplish more

than merely replacing labor, *are correct findings supported by competent evidence, and are not shown to be even arguably, let alone clearly erroneous.* (443 F.2d at 934, Pet. 12a-13a)

Thus, petitioner's statement on page 17 of its Petition that the anticipatory structural references[10] were not rejected as substantially different flies straight into the face of both opinions below.

So, where is the issue asserted by petitioner? Just as the structure of the '927 patent was not present at the time of its invention, the issue presented by Question 3 is not present now.

CONCLUSION AS TO APPEAL NO. 28,286

(Questions 2 and 3)

This Court should deny the portion of the petition directed to Appeal No. 28,286 ("Questions 2 and 3").

Respectfully submitted,

GUY W. SHOUP
230 Park Avenue
New York 10017
Attorney for Respondent

Of Counsel:
PHILIP DEV. CLAVERIE
Hibernia Bank Building
New Orleans 70112

October 25, 1971

[10] Petitioner alleges (Pet. 15) that "anticipating references [were] documentary and simple". Petitioner apparently did not think the documentary references were sufficient *or* simple, building and demonstrating its *own* alleged replicas at trial on the fact issues (under direction of counsel) of these *documents* (App. B-9, Finding 32) and making strenuous mention of these replicas on appeal.

Appendix A

Those Portions of the Legal Opinion and Findings of Fact of the District Court (Alvin B. Rubin, *D.J.*) Relating to the Enforceability of the Patents in Suit

(Appeal No. 28,286)

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1. Legal Opinion

(Reported at 301 F. Supp. 1065-1066)

The '218 and '927 Patents Are Enforceable Against Deepsouth

Defendant contends additionally that plaintiff is estopped from claiming infringement of the '218 and '927 patents by estoppel and laches. Both of these doctrines are equitable in origin and neither can be invoked in the absence of a showing of prejudice. Delay that does not result in a prejudicial change of position is not laches, and conduct that does not lead to detrimental reliance does not estop. Shaffer v. Rector Well Equipment Co., 5 Cir., 1946, 155 F.2d 344; Collison Surgical Engineering Co. v. Murray-Baumgartner Surgical Instrument Co., D.Md., 1964, 230 F.Supp. 572, 580-581, aff'd, 1965, 343 F.2d 162. Since Deepsouth was not prejudiced by Laitram's delay in filing suit nor misled to its detriment by its actions, this suit is not barred and both the '218 and '927 patents are enforceable.

Appendix A

2. Findings of Fact

IX. *Enforceability*

1. Defendant contends that both the '218 and the '927 patents are unenforceable by reason of (a) laches on the part of Laitram; (b) estoppel arising in favor of Deepsouth because of its reliance on the actions or inaction of Laitram. Defendant urges therefore that plaintiff is precluded from monetary recovery for past infringement.

2. At some time in early or mid-1962, Peelers' service coordinator, while on a regular trip to certain Texas plants where Peelers' shrimp processing machinery was located, saw a "rocking" slitter at Aransas Seafood Company in Aransas Pass, Texas. Peelers' management knew that the manager of that plant was Paul C. Skrmetta, father of defendant's president, Raphael Q. Skrmetta. The sighting was reported to Peelers' management and was the first knowledge it had received of the existence of any deveining machinery apparently similar to its own. When the same employee made a subsequent trip to this plant, he did not see the "rocking" slitter. Also in 1962, a "rocking" slitter similar to the one seen at Aransas Seafood was seen by a serviceman of Peelers in the Morgan Daniels shrimp plant at Corpus Christi, Texas.

3. Paul C. Skrmetta was engaged in the development of shrimp deveining machinery at his seafood plant, Skrmetta Seafood Company, on Broad Street in New Orleans in 1956 and 1957. There was testimony that, at some time in mid-1957, a comparative test was held in the Deepsouth plant to compare results obtained by the Peelers' slitter with results obtained by an experimental "rocking" slitter

constructed by Paul C. Skrmetta in his plant. This test was decided upon spontaneously. Information about this test or the existence of a "rocking" slitter at the Broad Street plant did not come to the attention of Peelers' management until after this suit was filed.

4. In 1958, Paul C. Skrmetta and Raphael Q. Skrmetta filed an application for a patent on a shrimp deveiner. A patent was issued to the Skrmettas on May 1, 1962, and one apparatus described and depicted in the patent was a "rocking" slitter very much like the "rocking" slitter accused on infringement in this action. Peelers' management became aware of the existence of this patent shortly after its issuance.

5. Hunt Foods, a firm that does a considerable amount of shrimp canning, approached Deepsouth some time before October, 1964, indicating a desire that Deepsouth deveining machinery be "perfected" so that it, as a prospective customer, could view a demonstration. Hunt Foods and at least one other customer asked Deepsouth to get a commitment from Laitram on Laitram's position with respect to its patents. A draft of Deepsouth's first letter to Laitram was sent by Deepsouth to Hunt Foods for approval before being dispatched to Laitram, and further advice was sought from Hunt Foods by Deepsouth before a subsequent communication was addressed to Laitram.

7. In mid-October, 1964, Laitram received a letter from Deepsouth announcing that Deepsouth had "developed" a deveining machine and was "preparing to offer it to Shrimp Canners and Processors." Laitram replied, indicating that (a) it had no legal reason for inspection; (b) it assumed

no responsibility for Deepsouth's request; and (c) it had a definite policy to take proper steps when its patent rights were invaded.

8. Deepsouth then commenced the manufacture and sale of deveining machinery. In making its decision to do so, its major interest was to find a profitable market. However, it did consider Laitram's refusal to inspect Deepsouth's machine, and it relied upon this to some extent, believing that the actions taken would favorably influence the outcome of litigation if a patent infringement suit ensued.

9. But Deepsouth could not reasonably believe that it would not be sued for patent infringement.

10. In mid-May, 1965, a Laitram serviceman, while on a regular visit to service Laitram machinery in the Hunt Foods plant at Harvey, Louisiana, noticed deveining machinery bearing a Deepsouth nameplate.

11. A short time later, in late June or early July, 1965, another Laitram serviceman, while on a regular service visit to a plant at Dulac, Louisiana, where Deepsouth deveining machinery had been noticed a month earlier, saw that a punched lip-perforated endless belt had replaced the "Cyclone" wire mesh endless belt at the shrimp vein removal apparatus (the third unit) of the Deepsouth deveining machinery. This was the first knowledge Laitram had of any Deepsouth punched lip vein removal apparatus.

12. Deepsouth offered some evidence in support of its allegation that it had been prejudiced by the Laitram's failure to accept its offer to inspect its "rocking" slitter,

Appendix A

This evidence consisted of estimates, unsupported by invoices, receipts or cancelled checks; these estimates related to "off the shelf" items, some of which were used only on second and third units of its machinery, the "jet washer" and the fingernail belt. There was no evidence of capital investment in plant; no evidence of purchase of machinery other than a few small hand tools; and no evidence of substantial advertising.

13. The facts as summarized, show the following:

(a) Peelers knew of the "rocking" slitter patent in 1962.

(b) Peelers first knew of a machine employing the "rocking" slitter principle in 1962; the "rocking" slitters its employees then saw were not manufactured, used or sold by Deepsouth but had been made with Deepsouth's assistance and information.

(c) Laitram first learned of Deepsouth's use of a punched lip fingernail belt as a deveining device in 1965.

14. Laitram asserted its patent rights within a reasonable period of time. The time that elapsed after it became aware of the Deepsouth devices was not enough to induce Deepsouth to believe that Laitram had abandoned its patents or considered its patent rights to be worthless. Laitram did not acquiesce in any of Deepsouth's activities.

15. Considering the prior relations of the parties, Laitram should have inspected the Deepsouth machines when offered an opportunity to do so, but Deepsouth could

not reasonably have relied on this failure, and Laitram is not estopped to assert its rights merely because of it.

16. Deepsouth did not show any significant investment in plant or equipment relating to manufacture of deveining machinery made as a result of Laitram's conduct, and thus did not show any damage or prejudice to itself resulting from Laitram's actions or failures to act.

17. The '218 and '927 patents are enforceable against defendant.

Appendix B

Those Portions of the Legal Opinion and Findings of Fact of the District Court (Alvin B. Rubin, *D.J.*) Relating to the Validity Over the Prior Art of United States Patent 2,825,927

(Appeal No. 28,286)

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1. Legal Opinion

(Reported at 301 F.Supp. 1062-1064)

Validity of the Plaintiff's Deveiner Patent ('927)

The deveiner developed by the Lapeyres like the slitter they invented incorporates no new mechanical principles. It is a novel combination of previously known elements.

After the Lapeyres developed their slitter, they turned to the problem of removing the veins from the backs of the now slit shrimp. Some veins were removed in the slitter trough by the action of the water, but many shrimp were still not deveined although their back muscles and sand bags (or membranes) had been cut. When it did not devein, the slitter left the vein exposed up to the fifth segment of the shrimp's body at which point it descends on a plane through the body. There was thus a very tiny soft and thread-like piece of stringy matter to be physically detached, not merely separated, from the body of the shrimp.

Prior attempts to remove the veins from slit shrimp had fallen into two general categories: (1) gouging or sawing them out as part of the slitting process before the

'218 machine was developed, or (2) boiling or soaking them out while blanching the shrimp after they had been slit by hand. The Lapeyres first moved generally in the second direction, i. e., vein removal separate from the slitting process. They tried to remove veins by agitating shrimp in water and by bubbling air through the water. They also tried placing the slit shrimp in a hardware mesh basket and in an expanded metal basket, dipping the shrimp-basket into the water, raising it, and moving the shrimp through the water. In addition, they tried passing the slit shrimp through a shrimp cleaning machine.

None of these experiments resulted in a commercially acceptable level of vein removal. The Lapeyres then decided that effective deveining could be achieved only by mechanically engaging the vein and forcibly pulling it from the shrimp. Because of the large ratio of the length of the vein to the radius of its cross-section, transverse engagement was most practical. The Lapeyres therefore developed a device based on wedge-like projections that serve to hook the vein and then wedge and hold it. This represented a departure from the prior art, which was based on the vein being removed by means whose motion, if any, was longitudinal rather than transverse to the body of the shrimp.

The Lapeyres found a standard punch lip material illustrated in a commercial catalog. Most important for their purposes, the interior circumference of this material contained the projections needed to engage the veins of the slit shrimp. Hence they used the material for the outside surface of their drum.

Defendant urges that the '927 patent is invalid as aggregative, anticipated by the prior art, obvious, described in functional language, overbroad, and indefinite. While

it is clear that the elements in the '927 patent, especially the punched lip material, had been available for a considerable period of time, when combined they coact in such a manner to perform a new function and produce new results.

Although "combination patents are viewed strictly," [30] and require a high standard of invention in order to be sustained,[31] a combination clearly is patentable when it "produces a new and useful result," and emerges from "inventive skill" and imagination rather than mere "mechanical aptitude." Robertson Rock Bit Co. v. Hughes Tool Co., 5 Cir., 176 F.2d 783, 790.[32] The Fifth Circuit said in *Robertson, supra:*[33]

> "Judges who have tried many patent cases, who have heard the testimony of experts, the one affirming the matter to be merely an advance in mechanical steps, the other to be invention of the highest order; the one affirming prior use, the other denying it; the one affirming it to be the flight of genius into new fields, the other, the mere dull trudging of an artisan, know

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[30] Glikin v. Smith, 5 Cir., 1959, 269 F.2d 641, 651-652.

[31] Great Atlantic and Pacific Tea Co. v. Supermarket Equipment Corp., 1950, 340 U.S. 147, 71 S.Ct. 127, 95 L.Ed. 162; Cuno Engineering Corp. v. Automatic Devices Corp., 1941, 314 U.S. 84, 90-92, 62 S.Ct. 37, 86 L.Ed. 58.

[32] *See also,* United States v. Adams, 1966, 383 U.S. 39, 50, 86 S.Ct. 708, 15 L.Ed. 2d 572; Special Equipment Co. v. Coe, 1945, 324 U.S. 370, 377, 65 S.Ct. 741, 89 L.Ed. 1006; Grinnell Washing Machine Co. v. E. E. Johnson Co., 1918, 247 U.S. 426, 38 S.Ct. 547, 62 L.Ed. 1196; Kaakinen v. Peelers Co., 9 Cir., 1962, 301 F. 2d 170, 172-173.

[33] Quoting from "Function of the 'Hunch' in Judicial Decision," Judgment Intuitive, Foundation Press, 1938.

> that for a just decision of such causes no objective criteria can be relied on. They well know that there must be in the trier something of the same imaginative response to an idea, something of that same flesh of genius that there is in the inventor, which all great patent judges have had, that intuitive brilliance of the imagination, that luminous quality of the mind, that can give back, where there is invention, an answering flash for flash."

This court lacks the vanity to claim qualification under this definition. Reality constrains it instead to confess that to it, as to Marianne Moore's Steamroller: "The illustration is nothing * * * without the application." But, even to a mind thus limited, it is clear that in this case, "the [Lapeyre] combination is a different invention from the elements themselves whether considered in their separate or their aggregated state," and that "the method of their cooperation in the combination [is] the result of [an] inventive act." I, Robinson on Patents, 219-223; Pursche v. Atlas Scraper and Engineering Co., 9 Cir., 1961, 300 F.2d 467, 473-474. As Judge Hand pointed out some 42 years earlier, in another case involving the validity of a combination patent:

> "[T]he case is in substance familiar enough, one in which the inventor has culled this and that out of nearby arts, and so formed a combination nowhere before existing. It has been a success; it has substantially driven out earlier cumbersome methods; it has enabled the arts to do with ease what before it could only do slowly and imperfectly. The result seems to [be] a genuine invention, and [this court] so hold[s]."

Traitel Marble Co. v. U. T. Hungerford Brass & Copper Co., 2 Cir., 1927, 18 F.2d 66, 69.[34]

Neither was the '927 patent anticipated by the prior art (as the findings of fact illustrate), nor "obvious at the time the invention was made to a person having ordinary skill in the art." 35 U.S.C. 103.[35]

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2. Findings of Fact

(Unreported)

II. *Background Facts*

14. Although in many cases the water action and the interaction of the water and blades washed the veins free from the "slit" shrimp, the operation of both the earlier experimental model and this machine convinced the Lapeyres that additional vein removal machinery was necessary to obtain a satisfactory commercial deveining job.

15. The Lapeyres then turned to the problem of achieving commercially acceptable vein removal from shrimp whose backs had previously been slit. Aside from hand operation, prior attempts by others at shrimp vein removal had involved either gouging or sawing out the vein longi-

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[34] "It may be laid down as a general rule, though perhaps not an invariable one, that if a new combination and arrangement of known elements produce a new and beneficial result, never attained before, it is evidence of invention." Webster Loom Co. v. Higgins, 1881, 105 U.S. 580, 591, 26 L.Ed. 1177. *See also,* Grinnell Washing Machine Co. v. E. E. Johnson Co., *supra.*

[35] *See,* Graham v. John Deere Co., *supra,* 383 U.S. at 17, 86 S.Ct. 684; Note, Sub-tests of "Nonobviousness": A Nontechnical Approach to Patent Validity, 112 U.Pa.L.Rev. 1169 (1964).

tudinally as a continuation or part of the backslitting operation or boiling or soaking the slit shrimp in blanching tanks.

16. After trying methods similar to these previously used, the Lapeyres decided that the proper way to approach the problem would be to devise a mechanical device that would engage and wedge the vein transversely, and thus forcibly pull it from the shrimp.

17. They conceived of a drum-like structure bearing interior projections to engage or hook and then wedge and pull the vein; this method differed from mechanical methods previously used, in which the motion was longitudinal to the shrimp and not transverse.

18. In a catalogue of the Harrington & King Perforating Company of Chicago, Illinois, they found a stamped material that they thought would serve their purpose. They built a drum-like device incorporating this material, positioning the drum so that it would rotate, slightly inclined from the horizontal, in a small bath of water with a cleansing water spray overhead. In operation, this device removed veins from shrimp in a satisfactory manner. The commercial embodiment became known as the "tumbler".

19. On July 8, 1954, they filed an application for a patent. This application issued as patent number 2,825,927 on August 8, 1957.

20. In mid-1954, machinery incorporating the inventions of the '218 and '927 patents was offered to the shrimp industry.

21. This offer was made in the middle of a Gulf shrimp season. Before the following spring, the beginning of the next shrimp season, nearly 50% of the available market in the shrimp canning segment of the industry was using the machinery.

22. The deveining machinery incorporating the inventions of the patents in suit has had substantial commercial success in the shrimp canning industry and with shrimp processors who devein shrimp for uses other than canning, but some of these processors still employ hand tool deveining because they consider the hand deveined shrimp superior in quality, and find that less weight is lost in the deveining process.

23. The Laitram machinery was the first to achieve the following results:

(a) It replaces large numbers of workers.

(b) It handles smaller sizes of shrimp than could previously be handled practicably.

(c) It can devein many sizes of shrimp without pregrading.

(d) It produces a yield from smaller sizes of shrimp comparable to that obtained by hand deveining.

(e) It has a high capacity.

(f) It requires no manual assistance either to feed shrimp into the machine or remove them from it.

(g) Its capacity is predictable.

(h) It can handle masses of shrimp simultaneously and continuously.

24. Insofar as any issue in this action is concerned, all deveining machinery manufactured and leased to the shrimp industry by Laitram has been identical; all "slitters" have incorporated inventions of the '218 patent and all "tumblers" have incorporated inventions of the '927 patent; all such machinery has had placed upon it the proper statutory notice indicating it was embraced by the patents in suit. Any reference to Laitram deveining machinery herein means the machinery incorporating inventions of these patents.

25. Until Deepsouth's sales activities began, about 11 years after the introduction of the Lapeyre deveining machinery, no question was raised in the shrimp industry concerning the validity of these patents.

26. Laitram currently licenses the use of the '218 and '927 inventions by way of lease. Forty-four units of its deveining machinery (each unit including a "slitter" and a "tumbler" embodying the inventions of the patents in suit) were being leased when this action began.

27. When the accused Deepsouth machinery was introduced to the canning market, the operating advantages and substantial benefits resulting from the use of the Lapeyre inventions had already been recognized by the shrimp canning industry.

28. Deepsouth had actual knowledge of the patents in suit within a year after their issuance. Deepsouth's president was the president and sole owner of a corporation that was the second lessee of Peelers deveining machinery; this lease was signed three weeks after the first offer of the machinery.

29. Deepsouth sold its first Model BV 465S "Shrimp De-Veiner" on March 22, 1965.

30. The first vein removal apparatus Deepsouth offered and sold to the industry incorporated an endless "Cyclone" wire mesh belt. Deepsouth's customers were not satisfied with the results achieved by this initial apparatus, and defendant changed its construction to the device accused in this action, a punched-lip-perforated endless belt. The "Cyclone" wire mesh belt has never been charged with infringement. Defendant changed its construction both because the "Cyclone" belt was difficult to clean, and also because its customers were dissatisfied with the vein removal efficiency of the wire mesh belt.

31. All "slitters" and punched-lip endless belt vein removers manufactured and sold by defendant have been identical insofar as any issue in this action is concerned.

32. On the day prior to commencement of the trial, the court witnessed demonstrations of Laitram machinery and the accused Deepsouth machinery (including the "Cyclone" mesh belt device described in Finding 32 *supra*), as well as the operation of certain devices constructed under the direction of defendant's trial counsel as replicas of disclosures of certain prior art patents asserted to render the '927 patent invalid.

33. Motion pictures of the operation of the Laitram slitter and the Deepsouth slitter, taken in the presence of defendant's president and defendant's trial counsel, were viewed three times during the course of trial.

34. During the trial, the court examined in the courtroom certain deveining machinery offered to the industry

before the Laitram machinery, namely the McKinstry, Greiner and Envoldsen machines.

VII. *Validity of the '927 Patent*

1. Defendant contends the '927 patent is invalid because it was anticipated by: (a) prior patents, including White 71,434; Vucassovich 2,331,855 and 2,355,405; Avetta 2,625,705 and 2,626,701 and Miller 2,637,064; (b) deveining practices employing hand tools.

2. Defendant asserts that United States Patent 71,434, a patent issued November 26, 1967 to Napoleon Bonaparte White for an Improved Machine For Scaling Fish, anticipated every asserted claim of the '927 patent. In furtherance of this contention, defendant constructed a device as a replica of the disclosure of the White patent, and demonstrated it to the court. Similarly, in furtherance of its contentions as to Vucassovich 2,331,855, defendant constructed and demonstrated a device as a replica of the Vucassovich patent.

3. Neither White nor Vucassovich, however, teaches or discloses the combination of elements and element co-action found in the '927 patent, and neither of them anticipates the '927 patent.

4. Defendant also asserts that Claims 1, 12, 13, 14, 15 and 18 of the '927 patent are anticipated by Miller 2,637,064. Miller was cited by the Patent Examiner to show "the state of the art," but was not applied to show either anticipation or obviousness; the Patent Examiner considered and rejected the Miller patent as a reference. Miller does not teach or disclose the subject matter claimed in Claims 1, 12, 13, 14, 15 and 18, and it does not anticipate those claims.

5. Defendant further relies upon Vucassovich 2,355,405; Avetta 2,625,705 and Avetta 2,626,701 as anticipating one or more claims of the '927 patent. None of these teaches or discloses the inventions of the '927 patent; none anticipates the '927 patent.

6. The inventions of the '927 patent were not anticipated by hand deveining practices.

7. Defendant further contends that the '927 patent is invalid pursuant to 35 U.S.C. Section 103 because it is "obvious". Defendant relies principally on combinations of one or more of the disclosures of White; Vucassovich 2,331,855; Macklett 565,999 and Kell 1,028,736. Vucassovich 2,331,855 was cited and relied upon by the Examiner. White was in a patent sub-class searched by the Examiner when he made his search on the '927 application; it is concluded that the Examiner reviewed White and discarded it. White, Macklett and Kell are no more pertinent than the other patents referred to or cited by the Examiner during the prosecution of the application resulting in the '927 patent. None of those patents, singly or in combination with one or more of the others, suggests or renders obvious the combination of the elements of the '927 patent and the cooperative relationship covered by it.

8. During the course of this action, defendant has at one time or another cited and/or relied upon the following patents with respect to its defense of obviousness of the '927 patent: White 71,434; McCabe 161,425; Baker 430,372; Tobin 493,454; Mackett 565,999; Meredith 857,884; Lafrentz 916,725; Svobda 925,527; Kell 1,028,736; Luer 1,210,959; Kellington 1,310,662; Sprague 1,383,162; Bukham 1,475,929;

Price 1,615,134; Davis 1,620,953; Gallison 1,692,984; Chandler 1,715,991; Horstmann 1,737,087; Randall 1,781,301; Lehman 1,811,017; Bottker 2,034,691; Dorment 2,052,548; Krull 2,301,729; Vucassovich 2,331,855; Vucassovich 2,355,405; Hendrickson 2,380,755; Caston 2,518,488; Watson 2,528,402; Kite 2,537,836; Oss 2,540,990; Riha 2,541,781; Abbott 2,546,414; Envoldsen 2,622,270; Avetta 2,625,705; Avetta 2,626,701; Lapeyre 2,637,065; Gardes 2,637,074; Clements 2,641,020; Harris 2,652,588; Kaplan 2,653,345; Greiner 2,663,898; Streich 2,685,705; Johsson 2,784,450; Kelly Re. 14,447; Molsbeck 324,397 (France); Jacobson 643,383 (France); Petterson 475,307 (Germany) and Peterson 58,120 (Norway). None of these patents, singly or in combination with one or more of the others, teaches, discloses, suggests or renders obvious the combination of elements of the patent and their cooperative relationship. In view of the fact that the invention is uncomplicated, the very number of patents cited by defendant indicates that it was not obvious.

9. The patents listed above that were not cited by the Patent Office during the prosecution of the '927 patent are no more pertinent than those that were cited during such prosecution. Plaintiff's invention was neither anticipated nor obvious.

10. The new combination claimed by the '927 patent discloses a new structure, a new mode of operation and new, beneficial and useful results in shrimp deveining and the elements of these combinations are so arranged and so cooperate as to function differently and do more than merely replace labor. The '927 patent discloses a valid combination.

Appendix C

Excerpts From Record on Appeal in Appeal No. 29,776

Translation of Exhibit 12B

BANCO DO BRASIL, S. A.
FOREIGN TRADE DEPARTMENT

IMPORT LICENSE

Importer: Cia. Nacional de Frigorificos CONFRIO
Address: Rua José Bonifacio 176, 10th floor, São Paulo
C. G. C. No.: 71 039 119 Telephone: 33-9013
Port of unloading: Santos
Consignee: The same
Country of origin: U. S. A.
Country of provenance: U. S. A.
Application of the goods: For own use
Category: General
Equivalent amount in new cruzeiros (CIF): 61,887.00

Quantity: 1
Specification of the merchandise: (Customs classification: 84-33-008)
One complete automatic machine for deveining shrimp, with settings for small and large sizes.
Net weight in kg.: 1,450
FOB Price, foreign currency: Unit: US$13,250.00 Total: US$13,250.00

"The importer intends to avail himself of the advantages provided in Decree Law No. 221 of 2-28-67, under which the present import may have the following benefit: Total exemption of duties and taxes:

"If by sea, the transport must of necessity be made in a Brazilian flag ship."

We certify that there exists no similar national product for the merchandise contained in this document.

Total kg.: 1,450

Total FOB:	US$13,250.00
Estimated freight and insurance:	1,450.00
Estimated CIF price:	US$14,700.00

Estimated CIF price written out in full: FOURTEEN THOUSAND SEVEN HUNDRED DOLLARS.

The foreign Trade Department of the Banco do Brasil, S. A., issues, for the importation of the merchandise indicated above, the present License No. DG-69/12566-15023

Valid for shipment until June 10, 1970
Rio de Janeiro, December 10, 1969

Foreign Trade Department
s/ Francisco Pagy

For presentation by the exporter to competent consular authorities for the legalization of shipping documents.

Translation of Exhibit 12C

BANCO DO BRASIL, S. A.
FOREIGN TRADE DEPARTMENT

ATTACHMENT TO IMPORT LICENSE NO. DG-69/12563-15023

Net weight in kg: 1,450
Quantity: 1
Description: One complete automatic machine for deveining shrimp, with setting for small and large sizes, "Skrmetta" model BV 470, series 1201, with "Syncrohear" electric motor of 1 HP, three-phase, 60 cycles, 220/440 volts, completely enclosed; feed conveyor with electric motor of 1/3 HP, 220/440 volts, 60 cycles, discharge conveyor with electric motor of 1/2 HP, 220/440 volts, 60 cycles and water jet washer.
Price in foreign currency: Unit: US$13,250.00 Total: $13,250.00

Total:	US$13,250.00
Estimated Freight and insurance:	1,450.00
CIF price:	US$14,700.00

Port of unloading: Santos
Comments: (blank)

Name of the importer of the machine:
Companhia Nacional de Frigorificos CONFRIO

For presentation by the exporter to competent consular authorities for the legalization of shipping documents.

For use by For. Tr. Dept.

..... 19....

Foreign Trade Department

(signed) (signed)

CS

Exhibit 19

CONFRIO

MACHINE COMPLETE

TOMORROW WILL TELEPHONE

IN AFTERNOON REGARDS

T

DEPACO

DEP Exhibit 19.

CHASE METALS SERVICE

LOCAL STOCKS. ALUMINUM · BRASS · COPPER · STAINLESS

1000 So. Jefferson Davis Pkwy., P.O. Box 13278 Tel. 486-5441
New Orleans, La. 70125